NOTES TO THE FINANCIAL STATEMENTS

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying general purpose financial statements of the State of Colorado have been prepared in conformance with generally accepted accounting principles for governments as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard setting body for establishing governmental accounting and financial reporting principles.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets, liabilities, the disclosed amount of contingent liabilities at the date of the financial statements, and the reported amounts of revenues, expenditures/expenses during the reporting period. Actual results could differ from those estimates.

A. REPORTING ENTITY

For financial reporting purposes, the State of Colorado's primary government includes all funds and account groups of the state, its departments, agencies, and state funded institutions of higher education that make up the state's legal entity. The state's reporting entity also includes those component units, which are legally separate entities, for which the state's elected officials are financially accountable.

Financial accountability is defined in GASB Statement No. 14, "The Financial Reporting Entity." The state is financially accountable for those entities for which the state appoints a voting majority of its governing board, and either is able to impose its will upon the entity or there exists a financial benefit or burden upon the state. For those entities that the state does not appoint a voting majority of the governing board, GASB Statement No. 14 includes them in the reporting entity if there is a fiscal dependency. Entities that do not meet the criteria for inclusion may still be included if it would be misleading to exclude them.

Discretely presented in the combined financial statements for the state are the following entities:

- Colorado State Fair Authority
- Denver Metropolitan Major League Baseball Stadium District
- University of Colorado Hospital Authority
- Colorado Water Resources and Power Development Authority
- Colorado Uninsurable Health Insurance Plan

With the exception of the University of Colorado Hospital Authority, each governing board member for these entities, is appointed by the Governor and confirmed by the Senate. The board of the University of Colorado Hospital Authority is appointed by the Board of Regents of the University of Colorado. With the exception of the Baseball Stadium District, all of these authorities are included in the reporting entity because they present a demonstrable financial burden upon the state. The Baseball Stadium District is included because its board serves at the pleasure of the Governor, and therefore, the state is able to impose its will upon the District.

Detailed financial information may be obtained directly from these organizations.

The following related organizations, for which the state appoints a voting majority of their governing boards, are not part of the reporting entity based on the criteria of GASB Statement No. 14:

- Colorado Compensation Insurance Authority
- Colorado Post-Secondary Educational Facilities Authority
- Colorado Student Obligation Bond Authority
- Colorado Health Facilities Authority
- Agricultural Development Authority
- Colorado Housing and Finance Authority
- Colorado Sheep and Wool Authority
- Colorado Beef Council Authority
- Colorado Travel and Tourism Authority
- Fire and Police Benefit Association
- The State Board of the Great Outdoors Colorado Trust Fund
- Various College and University Foundations

Even though the appointment of governing boards of these authorities is similar to those included in the reporting entity, the state does not impose its will, nor does it have a financial benefit or burden relationship with these entities. Detailed financial information may be obtained directly from these organizations.

B. FUND STRUCTURE

Primary Government

The financial activities of the state are organized on the basis of individual funds and account groups. Each fund is a separate accounting entity, in which the operations are recorded in discrete sets of self-balancing accounts that comprise the assets, liabilities, fund equity, revenues and expenditures, or expenses, of that entity. For financial statement presentation, similar funds have been combined into fund types and categories.

GOVERNMENTAL FUNDS

General Fund

Transactions related to resources obtained and used for those services traditionally provided by state government, which are not accounted for in other funds, are accounted for in the General Fund. Resources obtained from federal grants which support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements.

Special Revenue Funds

Transactions related to resources obtained from specific sources, and restricted to specific purposes are accounted for in the special revenue funds. The individual funds include the Highway Fund, the Wildlife Fund, the Labor Fund, the Gaming Fund, and the Water Projects Construction Fund.

Debt Service Fund

This fund accounts for the accumulation of resources, principally transfers from other funds, for the payment of long-term debt principal and interest. The primary debt serviced by this fund consists of certain long-term lease purchase agreements.

Capital Projects Funds

Transactions related to resources obtained and used for acquisition, construction, or improvement of state owned facilities are accounted for in the capital projects funds. The Regular Capital Construction Fund accounts for projects that have been appropriated by the General Assembly and are financed from operating transfers from the General Fund, Lottery Fund, federal grants, and other cash sources.

PROPRIETARY FUNDS

Enterprise Funds

These funds account for operations that are financed and operated in a manner much like private business enterprises. Costs of providing goods and services to the general public, including depreciation, are recovered primarily through user charges.

Internal Service Funds

These funds account for the operations that provide goods or services on a cost-reimbursement basis to state agencies.

FIDUCIARY FUND TYPES

Trust and Agency Funds

These funds account for assets held by the state in a trustee capacity or as an agent for other organizations or individuals. They include agency funds, expendable and nonexpendable trust funds.

Agency funds are used to account for assets held for other funds, governments, or individuals. They are custodial in nature and do not involve the measurement of operations.

The expendable trust fund classification is used when both the principal and revenue earned may be expended for purposes designated by the trust agreement.

Nonexpendable trust funds require that the principal of the fund remains intact while only the earnings of the fund are expendable.

ACCOUNT GROUPS

General Fixed Assets Account Group

Land, buildings, equipment and other capital assets, of the governmental fund types are accounted for in this group. Capital assets of the proprietary, trust, and the college and university funds are recorded in their respective funds and may be depreciated there. Infrastructure is not recorded in the state's accounting system.

General Long-term Debt Account Group

This group accounts for long-term liabilities of the governmental type funds, such as general liability, lease purchase obligations, employee leave obligations, and employee workers' compensation claims. It also accounts for short-term risk management liabilities for which expendable financial resources are not available. Long-term obligations of the proprietary funds, trust funds, and the college and universities are accounted for in their respective funds.

COLLEGE AND UNIVERSITY FUNDS

These funds account for the operations of the state supported system of higher education. The College and University Funds consist of the following funds:

Current Funds Unrestricted account for economic resources which are expendable for any purpose in accomplishing the institutions' primary objectives.

Current Funds Restricted account for resources received from donors or other outside agencies, primarily the federal government, that are restricted for specific purposes.

Loan Funds account for resources available for student loans.

Endowment Funds account for resources contributed by donors. While the principal portion of the contribution must remain intact, earnings may be added to the principal or expended for restricted or unrestricted purposes.

Plant Funds account for resources available, acquisition costs, debt service requirements, and liabilities related to acquiring or repairing institutional properties.

Agency Funds account for resources held by the institution acting in the capacity as agent for distribution to designated beneficiaries.

Component Units

The Colorado State Fair Authority and the Denver Metropolitan Major League Baseball Stadium District use proprietary fund accounting in preparation of their financial statements. The Colorado Uninsurable Health Insurance Plan uses practices prescribed or permitted by the state's Division of Insurance. Their financial information is presented as of December 31, 1995.

The Colorado Water Resources and Power Development Authority uses proprietary fund accounting for all its funds with the exception of governmental fund accounting for its expendable trust fund and its agency fund. The Authority's financial information is presented as of December 31, 1995.

Financial Information for the University of Colorado Hospital Authority is presented as of June 30, 1996.

C. BASIS OF ACCOUNTING

Primary Government

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. Nonexpendable trust funds and proprietary funds are accounted for on a flow of economic resources measurement focus.

Governmental fund types, expendable trust funds, and agency funds are reported on the modified accrual basis. This basis of accounting recognizes revenues when they are measurable and available to finance current operations or to liquidate liabilities existing at fiscal year-end.

Historical data, adjusted for economic trends, is used in the estimation of the following accruals:

- Sales, use, liquor, and cigarette taxes are accrued based on filings received and an estimate of filings due by June 30th.
- Net income taxes from individuals, corporations, and trusts are accrued based on current income earned by the taxpayer prior to June 30th. Quarterly filings, withholding statements, and other historical data are used to estimate the taxpayer's current income. The revenue is accrued net of an allowance for uncollectable taxes.

Revenues earned under the terms of agreements with other governments or private sources are recorded at the time that the related expenditures are made.

Expenditures are recognized during the period in which the fund liability is incurred, except for accumulated employee leave time, principal and interest on long-term debt, which is recorded when due, risk management liabilities in excess of the available current financial resources appropriated for that purpose, and inventories which are generally considered expenditures when consumed.

Special reporting treatment at year-end is accorded to encumbrances. In the General Fund, a reserve for encumbrances is recorded at year-end for the appropriation that will be rolled-forward to cover encumbrances. In the Capital Projects Fund and the Highway Fund, a reserve for encumbrances is established for the contracted legal obligations of the funds.

Proprietary fund types and nonexpendable trust funds are reported on an accrual basis. Using this basis, revenues are recognized when earned, and expenses, including depreciation, are recognized when incurred.

College and university funds are reported on the accrual basis, except for depreciation related to plant fund assets which is generally not recorded, and revenues and expenditures related to summer school programs which are recorded primarily in the subsequent fiscal year in accordance with the National Association of College and University Business Officer's College and University Business Administration.

The state has determined that proprietary and non-expendable trust funds will apply all applicable GASB pronouncements, regardless of issue date, as well as the following pronouncements issued on or before November 10, 1989: FASB Statements and Interpretations, Accounting Principle Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with, or contradict, GASB pronouncements.

Component Units

The Colorado Uninsurable Health Insurance Plan's statements are presented in conformance with accounting practices prescribed or permitted by the Colorado Division of Insurance. These practices vary in some respects from generally accepted accounting principles (GAAP). The most significant of these variances resulting from prescribed practices is that certain assets designated as nonadmitted assets have been excluded from the balance sheet. In addition, no provision is made for premium deficiencies. The only variance resulting from a permitted practice is that restricted cash held by the state treasurer and not yet appropriated by the General Assembly is included as an admitted asset.

The University of Colorado Hospital Authority has elected to adopt the provisions of the American Institute of Certified Public Accountants' Audit and Accounting Guide, Health Care Organizations, which are required for financial statements for periods beginning on or after June 15, 1996. In conjunction with such provisions, the Hospital has qualified as a governmental entity. In applying governmental GAAP, the Hospital has elected to apply the provisions of all relevant pronouncements of FASB, including those issued after November 30, 1989. The Hospital has used an effective date of July 1, 1995 for adoption of all such pronouncements.

D. ELIMINATIONS

Substantially all intrafund transactions and balances of the primary government have been eliminated. Substantially all interfund transactions are classified as operating transfers-in or operating transfers-out after the revenues and expenditures/expenses are reported on each of the operating statements.

E. INSURANCE

The state has agreements with the Colorado Compensation Insurance Authority (CCIA), a related party, to administer a Paid Loss/Retro Plan for workers' compensation insurance coverage. The state reimburses CCIA for the current cost of claims paid and related administrative expenses. Actuarially determined liabilities are accrued for claims to be paid in future years.

The state insures its property through private carriers and is self-insured for general liability for both its officials and employees.

F. TOTAL COLUMN ON COMBINED STATEMENTS

The total columns on the Combined Statements for the primary government are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Nor are they comparable to a consolidation as interfund eliminations have not been made in the aggregation of this data.

G. CASH AND CASH EQUIVALENTS

Primary Government

The state maintains numerous cash accounts for administrative purposes. The cash reflected on the balance sheet is the composite amount of all accounts, although some of the individual accounts may be periodically overdrawn. Where a fund category has a deficit cash position, that deficit has been reclassified to an interfund payable to the General Fund.

For purposes of reporting cash flows, cash and cash equivalents are defined as cash-on-hand, demand deposits, and certificates of deposit with financial institutions.

Component Units

The University of Colorado Hospital Authority and the Colorado Uninsurable Health Insurance Plan considers highly liquid investments with an initial maturity of three months or less to be cash equivalents.

The Colorado State Fair Authority, the Denver Metropolitan Major League Baseball Stadium District, and the Colorado Water Resources and Power Development Authority consider investments with a maturity of three months or less when purchased to be cash equivalents.

H. INVENTORY

Inventories of the various state agencies primarily comprise federal food stamps, finished goods inventories held for resale by Correctional Industries, and consumable items such as office and institutional supplies, fuel, and maintenance items.

Inventories of the governmental funds are stated at cost, while inventories of the proprietary funds are stated at the lower of cost or market. The state uses various valuation methods (FIFO, average, etc.) depending upon the state agency. The method used in each agency is consistent from year to year.

Consumable inventories that are material are expended at the time they are consumed. Immaterial consumable inventories are expended at the time of purchase, while inventories held for resale are expensed at the time of sale.

I. INVESTMENTS

Items classified as investments are both short and long-term investments, which are generally stated at cost or amortized costs. The investments of the deferred compensation plan are carried at current market value in accordance with generally accepted accounting principles.

The state treasurer records interest based on the coupon rate of the securities with appreciation or decline in the market value of the security recognized only at the time of sale of the investment.

J. PROPERTY, PLANT AND EQUIPMENT

Primary Government

Capital assets are carried at cost on the balance sheet. Donated capital assets are carried at their fair market value at the date of donation. The minimum dollar amount of assets that must be capitalized is $5,000.

Generally, the state does not capitalize interest during the construction of general fixed assets. General fixed assets are not depreciated. Assets in proprietary, nonexpendable trust, and college and university funds may be depreciated using the straight-line method. Depreciation of assets that were contributed to the various proprietary funds is charged to contributed capital while depreciation of other assets is charged to retained earnings.

The following useful lives are used for depreciation:

Buildings	25-40 years
Improvements other than buildings	10-17 years
Furniture, machinery and equipment	5-12 years

Component Units

The Denver Metropolitan Major League Baseball Stadium and the University of Colorado Hospital Authority capitalize interest during the construction of fixed assets.

K. DEFERRED REVENUE

With the exception of higher education funds, revenues received from the federal government and other program sponsors are deferred until such time as the related expenditures are made. Also, it is the policy of the state's higher education institutions to defer summer school tuition to the following fiscal year.

L. ACCRUED COMPENSATED ABSENCES LIABILITY

Primary Government

State law concerning the accrual of sick leave was changed effective July 1, 1988. After that date all employees in classified permanent positions within the State Personnel System accrue sick leave at the rate of 6.66 hours per month. Total sick leave per employee is limited to their respective accrued balance on July 1, 1988 plus 360 additional hours. After earning the maximum accrual each employee may convert five hours of sick leave to one hour of annual leave. Employees are paid for one-fourth of their unused sick leave upon death or retirement.

Annual leave is earned at increasing rates based upon employment service longevity. In no event can a classified employee accumulate more than 42 days of annual leave at the end of a fiscal year. Employees are paid 100% of their annual leave balance upon leaving state service.

Compensated absence liabilities related to the governmental funds are recorded in the Long-Term Debt Account Group. The current portion of the compensated absence liability accrual is not recognized in the governmental funds as it is not expected to be funded out of current available resources.

For all other fund types, both current and long-term portions are recorded as individual fund liabilities.

Component Units

University of Colorado Hospital employees use paid time off (PTO) for vacation, holidays, short-term illness, and personal absences. Extended illness pay (EIP) is used to continue salary during extended absences due to medical disability or serious health conditions. Both PTO and EIP earnings are based on length of service. The Hospital records PTO expense as earned. Extended illness pay earned as of June 30, 1996 and 1995 approximated $5.9 million and $6.4 million, respectively, of which $234,000 and $347,000, respectively, is expected to become payable and is accrued in the Hospital's statements.

The Colorado State Fair Authority, and the Colorado Water Resources and Power Development Authority recognize unused vacation benefits as they are earned.

M. FUND EQUITY

Reserved fund balances indicate that a portion of fund equity is not available for expenditure, or is legally segregated for a specific use. Designated fund balances are not legally segregated, but indicate tentative management plans for future use of funds.

The fund balance of the General Fund consists of a reserved and an unreserved portion. Amounts are reserved as provided by statute or as provided by generally accepted accounting principles. The unreserved portion of fund equity is available for future use as working capital or to be appropriated. Since the state is prohibited by its Constitution from incurring general obligation debt, the unreserved fund equity must be positive at year-end.

Reserves of the fund equity at June 30, include:

Reserved for Encumbrances - In the General Fund, this reserve is for the portion of the Fiscal Year 1995-96 appropriation that was encumbered for goods and services that were, due to extenuating circumstances, not received prior to June 30, 1996. Thus, the specific appropriation related to these items is rolled-forward to Fiscal Year 1996-97.

In the Special Revenue and Capital Projects Funds this reserve represents purchase orders, contracts and long-term contracts related to construction of major capital projects. Since the resources of these funds are received, in many cases, after the long-term contracts are executed and recorded as encumbrances, the undesignated reserve or portion reserved for other specific purposes may reflect a deficit. This deficit will be funded by future proceeds.

Reserved for Other Specific Purposes - These reserves are used to indicate that a portion of fund balance is restricted as to its use. The restriction of the representative assets may have been placed there by their donor in the case of fiduciary funds, by statute in the General and other governmental type funds, or reserved for special purposes such as the payment of debt principal in the case of the Debt Service Fund.

In the college and university funds, all fund balances with the exception of the Current Unrestricted Fund are reserved to indicate the restrictions of available assets to specific purposes of these funds.

Reserved for Long-Term Assets and Long-Term Receivables - These reserves in the governmental funds are used to reserve the portion of fund balance that relates to long-term interfund receivables and other long-term assets. These assets are not currently available for appropriation.

Reserved for Statutory 4 Percent Requirement - CRS 24-75-201.1(d)(III) requires that four percent of the amount appropriated for expenditure from the General Fund be reserved for that fiscal year. This was not shown as a reservation in prior years.

Reserved for Emergencies - Article X, Section 20 (TABOR) of the State Constitution requires the reservation of three percent or more of the 1995-96 Fiscal Year Spending for emergencies. Fiscal Year Spending is defined in TABOR as all spending and reserve increases except for spending from certain excluded revenues. See Note II-D, Tax, Spending and Debt Limitations.

N. OUTSTANDING ENCUMBRANCES

Encumbrance accounting, under which purchase orders and contracts for expenditures of money are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in all funds except the College and University Funds.

Encumbrances do not constitute expenditures or liabilities, nor do they lapse at year-end, but are carried forward to the subsequent year, committing the available appropriation.

NOTE II. BUDGETS - LEGAL COMPLIANCE

A. BUDGETARY BASIS

The budgetary fund types used by the state differ from the generally accepted accounting fund types. These budgetary fund types are general, cash, and federal funds. For budgetary purposes, cash funds are all funds received by the state that have been designated to support specific expenditures. Federal funds are revenues received from the Federal government. General purpose revenues are not designated for specific expenditures.

Eliminations of transfers and intrafund transactions are not made in the budgetary funds if those transactions are under budgetary control. Thus, revenues and expenditures in these funds are shown at their gross amounts. This results in several instances of duplicate recording of revenues and expenditures. An expenditure of one budgetary fund may be shown as a transfer-in or a revenue in another budgetary fund.

B. BUDGETARY PROCESS

The financial operations of the legislative, judicial, and executive branches of the state's government, with the exception of custodial funds or federal moneys not requiring matching state funds, are controlled by annual appropriation made by the General Assembly. The Transportation Department's portion of the Highway Fund is appropriated to the State Transportation Commission. Within the legislative appropriation, the Commission may appropriate the specific projects and other operations of the Department. In addition, the Commission may appropriate available fund balance from their portion of the Highway Fund.

The legislative appropriation is constitutionally limited to the unrestricted funds held at the beginning of the year plus revenues estimated to be received during the year as determined by the modified accrual basis of accounting. The original appropriation by the General Assembly in the Long Appropriations Bill segregates the budget of the state into its operating and capital components. The majority of the capital budgets are accounted for in the Regular Capital Construction Fund, with the primary exception being budgeted capital funds used for infrastructure. The Governor has line item veto authority over the Long Appropriations Bill, but the General Assembly may override each individual line item veto by a two-thirds majority vote in each house.

General and cash fund appropriations, with the exception of capital construction, lapse at year-end unless executive action is taken to roll-forward all or part of the remaining unspent budget authority. Appropriations that meet the strict criteria for roll-forward are reserved at year-end. Capital construction appropriations are generally available for three years after appropriation. Therefore significant amounts of the capital budgets remain unexpended at fiscal year-end.

The appropriation controls the combined expenditures and encumbrances of the state, in the majority of the cases, to the level of line item within the agency. However, several agencies are appropriated at the agency level, and the institutions of higher education are appropriated at the governing board level. The appropriation may be adjusted in the following session of the General Assembly by a supplemental appropriation. Statutes allow the Judicial and Executive Branches, at year end, to transfer legislative appropriations within departments for expenditures of like purpose.

C. OVEREXPENDITURES

Expenditures are determined using the modified accrual basis of accounting even if the accrual will result in an overexpenditure. If earned cash revenues plus available fund balance, and earned federal revenues, are less than cash and federal expenditures, then an overexpenditure exists even if the expenditures did not exceed the total legislative line item appropriation.

The state controller may allow certain overexpenditures of the legal appropriation with the approval of the Governor. If the controller restricts the subsequent year appropriation, the agency is required to seek a supplemental appropriation from the General Assembly or reduce their subsequent year's expenditures.

Overexpenditures existing at June 30, 1996, for which the controller has restricted a future appropriation are:

- The Division of Wildlife overexpended a grant from the Great Outdoors Colorado Trust Fund in the amount of $93,316. The controller will restrict the full amount of the overexpenditure.
- The Division of Wildlife also overexpended their federally funded capital construction when they corrected the over accrual of federal revenues in prior years. This has resulted in a deficit fund balance of $40,174 in the division's portion of the Special Capital Construction Fund. The controller will restrict the full amount of the deficit.

- The vehicle ignition interlock program began in Fiscal Year 1995-96 in the Department of Public Health and Environment. The department incurred $10,830 in expenditures but no revenues were collected by the Department of Revenue during the year for this program. The controller will restrict the full amount of this overexpenditure.

Overexpenditures existing at June 30, 1996, for which the state controller will not restrict a future appropriation are:

- The Cervidae Disease Revolving Fund, newly authorized by statute, requires the Department of Agriculture to indemnify owners of alternative livestock cervidae when that livestock is destroyed by order of the state veterinarian. The statute authorizes the Department to borrow $60,000 each from the Controlled Maintenance Trust Fund and the Wildlife Fund. The Cervidae Fund had a deficit of $53,570 at year-end, but since the fund is not over its borrowing limit the controller will not restrict any future appropriation.

- Lamar Community College's appropriated auxiliary operations had a deficit fund balance of $94,368 at year-end. The deficit occurred because actual student occupancy in the residence halls was lower than projected. The controller will not restrict the college's appropriation since a plan is in place to eliminate the deficit by the end of Fiscal Year 1996-97.

- The Lowry Education Center is a new facility operated by the State Board of Community Colleges and Occupational Education on a closed military base. Expenses at the new facility exceeded revenues by $245,061 resulting in a deficit fund balance of that amount. The controller will not restrict future appropriations since the center is a non-appropriated activity and a plan is in place to eliminate the deficit.

- The alcohol driver safety program in the Department of Human Services ended the fiscal year with a deficit fund balance of $106,860. The controller will not restrict the future appropriation since the deficit in this program was reduced by $175,220 from the previous year and a plan is in place to eliminate the deficit.

- The cash program of the Geological Survey Division in the Department of Natural Resources received less cash revenue from other state agencies than it had anticipated, resulting in the overexpenditure of $21,809. However, since total revenues of the program were sufficient to cover all expenditures, the controller will not restrict the future appropriation.

- The Board of Land Commissioners in the Department of Natural Resources had a one-time expenditure for fees related to a study of the disposition of the Wheat Ridge Regional Center. This resulted in a deficit fund balance of $61,620 in their expendable trust fund. The controller will place no restrictions on the fund since it is not legislatively appropriated. Future revenues should be sufficient to cover the deficit.

- The Supplier Data Base Fund administered by the Department of Personnel had a deficit fund balance of $206,085 at fiscal year-end. The controller will not restrict any future appropriation since the deficit relates to start-up costs of the program, the deficit was reduced by $34,421 during Fiscal Year 1995-96, and a plan is in place to eliminate the deficit within five years.

- Various line item appropriations in the Department of Personnel, specifically involving the General Government Computer Center, Central Services, Print and Graphics Shops, and the Microfilm Unit, were overexpended $236,762. Because the appropriations and revenues in total of each of these programs was sufficient to cover all program expenditures the controller will not restrict future appropriations.

- The Department of Public Safety overexpended several lines in operating expenses because prior to Fiscal Year 1995-96 it had netted revenues received from some sales of goods or services against its expenditures. In Fiscal Year 1995-96 it had $767,124 of revenues that would have been netted against expenditures if the department had accounted for them in the previous manner. However, the department did not have sufficient budget authority in Fiscal Year 1995-96 for expenditures that these revenues would have been netted against. The controller will not restrict future appropriations as the department will report these revenues in future years and has requested additional budget authority in Fiscal Year 1996-97.

As provided by statute, CRS 24-75-109, there is unlimited authority for Medicaid overexpenditures. The Department of Human Services is allowed $1 million in over-expenditures not related to Medicaid and unlimited overexpenditures for self-insurance of its worker's compensation plan. An additional $1 million over-expenditure is allowed for the Judicial Branch. Statute also allows overexpenditures up to $1 million in total for the remainder of the executive branch.

A separately issued report comparing line item expenditures to authorized budget is available upon request from the State Controller's Office.

D. TAX, SPENDING AND DEBT LIMITATIONS

Certain state revenues, primarily taxes and fees, are limited under Article X, Section 20 (TABOR) of the State Constitution. The growth in these revenues from year to year are limited to the rate of population growth plus the rate of inflation. The constitution also requires voter approval for any new tax, tax rate increase, or new debt. These limitations are applied to the state as a whole, not to each individual department or agency of the state. Annual revenues in excess of the constitutional limitation must be refunded, unless voters approve otherwise.

A separately issued audited report of TABOR computations for Fiscal Year 1995-96 will be available from the State Controller's Office in 1997.

E. BUDGET TO GAAP RECONCILIATION

The *Combined Statement of Revenues, Expenditures/Expenses , and Changes in Fund Balances/Equity, Budget and Actual - All Budgeted Funds* compares those revenues and expenditures which are legislatively appropriated or otherwise legally authorized. College and university funds, with the exception of the state appropriated portion of the unrestricted and restricted current funds, are excluded from this statement.

Certain expenditures on a generally accepted accounting principle (GAAP) basis such as bad debt expense and depreciation are not budgeted by the General Assembly. These expenditures are shown as "GAAP Expenditures Not Budgeted" on the *Combined Statement of Revenues, Expenditures/Expenses , and Changes in Fund Balances/-Equity, Budget and Actual - All Budgeted Funds*.

(DOLLARS IN THOUSANDS)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
BUDGETARY BASIS:				
Revenues and Transfers-In:				
General Funded	$ 4,268,732	$ -	$ -	$ 332,429
Cash Funded	2,094,207	1,247,644	31,468	24,119
Federally Funded	1,857,759	274,235	-	6,590
Sub-Total Revenues and Transfers-In	8,220,698	1,521,879	31,468	363,138
Expenditures/Expenses and Transfers-Out				
General Funded	4,390,452	-	-	168,477
Cash Funded	2,075,979	1,199,486	31,003	20,974
Federally Funded	1,860,420	274,217	-	6,420
Expenditures/Expenses and Transfers-Out	8,326,851	1,473,703	31,003	195,871
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out	(106,153)	48,176	465	167,267
FUND BALANCE, JULY 1 - GAAP BASIS	747,473	458,412	3,122	379,569
Add: Budgeted Non-GAAP Expenditures	675	25,699	-	-
Increase/(Decrease) for GAAP Expenditures Not Budgeted	106,613	(6,808)	-	7,740
(Increase)/Decrease for GAAP Revenues Adjustments	(108,423)	5,582	-	(8,298)
Increase (Decrease) in Non-Budgeted Funds	10	-	-	-
Prior Period Adjustments	-	4,379	-	-
FUND BALANCE, JUNE 30 - GAAP BASIS	$ 640,195	$ 535,440	$ 3,587	$ 546,278

Some transactions considered expenditures for budgetary purposes, such as capital purchases in proprietary fund types, are not expenditures on a GAAP basis. These expenditures are shown as "Budgeted Non-GAAP Expenditures." Some transactions considered revenues for budgetary purposes, such as intrafund sales, are not revenues on a GAAP basis. These are shown as "GAAP Revenue Adjustments." The inclusion of these revenues and expenditures in the *Combined Statement of Revenues, Expenditures/Expenses , and Changes in Fund Balances/-Equity, Budget and Actual - All Budgeted Funds* is necessary to reconcile fund balance.

A reconciliation of the *Combined Statement of Revenues, Expenditures/Expenses , and Changes in Fund Balances/-Equity, Budget and Actual - All Budgeted Funds* to the fund balances of the GAAP fund types follows:

PROPRIETARY FUND TYPES		**FIDUCIARY FUND TYPES**	**ACCOUNT GROUPS**			
ENTERPRISE	INTERNAL SERVICE	TRUST & AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	COLLEGE AND UNIVERSITY FUNDS	**TOTAL PRIMARY GOVERNMENT**
$ -	$ -	$ -	$ -	$ -	$ -	$ 4,601,161
399,745	165,472	582,878	-	-	1,086,287	5,631,820
57,120	-	17,085	-	-	-	2,212,789
456,865	165,472	599,963	-	-	1,086,287	12,445,770
-	-	-	-	-	-	4,558,929
388,772	164,478	325,446	-	-	1,078,613	5,284,751
50,205	-	16,841	-	-	-	2,208,103
438,977	164,478	342,287	-	-	1,078,613	12,051,783
17,888	994	257,676	-	-	7,674	393,987
72,011	36,403	872,425	1,039,152	-	2,222,076	5,830,643
1,096	1,808	31	-	-	-	29,309
(14,144)	(97,994)	(2,310)	-	-	(1)	(6,904)
-	93,558	-	-	-	2	(17,579)
-	-	-	209,233	-	207,902	417,145
-	-	-	-	-	-	4,379
$ 76,851	$ 34,769	$ 1,127,822	$ 1,248,385	$ -	$ 2,437,653	$ 6,650,980

NOTE III. OTHER ACCOUNTING DISCLOSURES

A. CASH, POOLED CASH, AND CASH EQUIVALENTS

Primary Government

The State Treasury acts as a bank for all state agencies, with the exception of the University of Colorado. Moneys deposited in the Treasury are invested until the cash is needed. Interest earnings on these investments are credited to the General Fund, unless a specific statute directs otherwise. The detailed composition of the cash and investments is shown in the annual Treasurer's Report.

State agencies are authorized by various statutes to deposit funds in accounts outside the custody of the State Treasury. Legally authorized deposits include demand deposits and certificates of deposit. The state's cash management policy is to invest all major revenues as soon as the moneys are available within the banking system. Electronic transfers are used by the state to enhance availability of funds for investment purposes.

Colorado statutes require protection of public moneys in banks beyond that provided by the federal insurance corporations. The Public Deposit Protection Act in CRS 11-10.5-107(5) requires all eligible depositories holding public deposits to pledge designated eligible collateral having market value equal to at least 102% of the deposits exceeding those amounts insured by federal insurance.

The state maintains accounts and certificates of deposits for various purposes at locations throughout the state. Cash balances not required for immediate use are deposited either through the investment pool administered by the state treasurer or by the fund custodians.

The state categorizes its cash into three categories as to their risk:

- Category 1 is federally insured deposits, or deposits fully collateralized with securities held by the state or its agent in the state's name.
- Category 2 is deposits uninsured but fully collateralized with securities held by the pledging financial institution's trust department or agent in the state's name.
- Category 3 is uncollateralized. This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the state's name.

At June 30, 1996 the state had cash balances in all funds with a carrying value of $709.7 million. The bank balances of these funds are categorized by risk as follows:

Risk Category	Bank Balance June 30
1	$ 567,250,183
2	156,109,902
3	225,145
TOTAL	$ 723,585,230

The Cash and Cash Equivalents line on the financial statements includes $2,209.3 million of claims of the state’s funds in the treasurer’s pooled cash. At June 30, 1996, the treasurer had invested $2,152.3 million of the pool with the balance in demand deposits and certificates of deposit.

B. NONCASH TRANSACTIONS IN THE PROPRIETARY FUND TYPES

In the proprietary fund types there are several noncash transactions that are not disclosed on the *Combined Statement of Cash Flows, All Proprietary Fund Types and Similar Trust Funds and Discretely Presented Component Units*. They are:

- The state nursing homes, an enterprise activity, received $72,582 of fixed assets contributed by the Regular Capital Construction Fund.
- Correctional industries, an enterprise activity, purchased $1,536,046 of fixed assets through capital leases.
- Central services, an internal service activity, purchased $12,746,721 of fixed assets through capital leases.
- Telecommunications, an internal service activity, received $798,000 of fixed assets funded by the Regular Capital Construction Fund.

- The Highway Fund, an internal service activity, transferred $80,843,870 of fixed assets to the General Fixed Asset Account Group.
- The risk management activity was transferred from an internal service fund to a restricted general fund (see Note III-L). Thus, $93,577,245 of liabilities were transferred to the General Long-Term Debt Account Group, $12,095 of fixed assets were transferred to the General Fixed Asset Account Group, and $293,410 of net assets were transferred to the General Fund. These were all noncash transactions.

Component Units

In the component units there are several noncash transactions that are not disclosed on the *Combined Statement of Cash Flows, All Proprietary Fund Types and Similar Trust Funds and Discretely Presented Component Units*. They are:

- The Denver Metropolitan Major League Baseball Stadium District purchased $6,500,417 of fixed assets through a capital lease.
- The Colorado State Fair Authority purchased $525,000 of fixed assets through a capital lease.
- The Colorado Uninsurable Health Insurance Plan reported $2,149 of cash from the sale of nonadmitted assets. This amount is reflected in the *Combined Statement of Revenues, Expenses, and Changes in Fund Equity, All Proprietary Fund Types and Similar Trust Funds, and Discretely Presented Component Units* as a revenue and as an other fund balance adjustment since the *Combined Balance Sheet, All Fund Types and Account Groups*, does not include the nonadmitted assets of the Plan.

C. RECEIVABLES

Primary Government

The taxes receivable of $643.1 million results from the recording of self-assessed taxes on the modified accrual basis. The other receivables of $257.6 million are net of a deduction of $116.2 million in allowance for doubtful accounts.

The General Assembly authorized the Colorado State Fair Authority, a component unit of the state, to solicit a working capital loan. In March 1996, the state treasurer loaned the authority $932,000 at 8.25 percent for eight months. The loan is reflected in the General Fund.

Component Units

The Colorado Water Resources and Power Development Authority had loans receivable of $201.6 million and $181.6 million at December 31, 1995 and 1994, respectively. During 1995 they made new loans of $28.6 million and canceled, or received repayments for existing loans of $8.6 million.

D. INTERFUND BALANCES

Individual fund interfund receivable and payable balances at June 30, 1996 are:

(Amounts in Thousands)

Fund	Interfund Receivables	Interfund Payables
General Fund	$ 29,778	$ 19,377
Special Revenue Funds		
Highway	3,683	667
Wildlife	1,252	3
Gaming	5,471	23,745
Water Projects	189	-
Capital Projects Funds		
Regular Capital Construction	4,327	3,540
Special Capital Construction	-	396
Enterprise Funds		
State Lottery	-	12,419
State Nursing Homes	-	540
Prison Canteens	17	-
Correctional Industries	3	93
Other Enterprise Activities	225	-
Internal Service Funds		
Central Services	25	3,278
Highways	11	-
Administrative Hearings	8	-
Expendable Trust Funds	16,017	3,261
Nonexpendable Trust Funds	130	1
Agency Funds	3,544	2,907
College and University Funds	24,470	18,923
TOTALS	$ 89,150	$ 89,150

E. INVENTORY

Inventories of $77.7 million in the General Fund at June 30, 1996, consisted of $7.0 million in consumable inventories, and $70.7 million in food stamps received from the federal government and offset by an equal amount in deferred revenue.

F. INVESTMENTS

Primary Government

The state holds investments both for its own benefit and as an agent for other specified entities as provided by law. Investment of funds not required for immediate payments are administered by the authorized custodian of the funds or pooled and administered by the state treasurer.

Colorado Revised Statutes 24-75-601.1 authorizes the type of investments that the state may hold. In general, the statute requires securities that are of the highest quality as determined by national rating agencies, those guaranteed by another state or the federal government, or a registered money market fund whose policies meet criteria set forth in the statute.

The state categorizes the custodial risks of its investments into the following categories:

- Category A is those investments which are insured or registered securities held by the state or its agent in the state's name.
- Category B is those investments which are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the state's name.
- Category C is those investments which are uninsured and unregistered, with securities held by the counterparty or its agent, but not in the state's name.

Investments not categorized as to risk are reverse repurchase agreements and mutual funds for which ownership is not evidenced by securities, and thus, cannot be categorized as to custodial risk.

The following table lists the state's investments by type and risk category:

(Amounts in Thousands)

Type of Investment	Risk Category A	Risk Category B	Risk Category C	Carrying Amount	Market Value
U.S. Government Securities	$ 1,733,605	$ 9,942	$ 35,767	$ 1,779,314	$ 1,793,453
Bankers' Acceptance	149,042	-	-	149,042	148,968
Commercial Paper	365,555	-	1,025	366,580	366,429
Corporate Bonds	98,692	-	48	98,740	97,133
Corporate Securities	10,298	1,360	4,635	16,293	17,217
Repurchase Agreements	169,814	-	190	170,004	170,179
Asset Backed Securities	590,831	-	-	590,831	587,412
Mortgages	298,495	-	-	298,495	304,476
Other	3,391	15	-	3,406	3,300
Subtotal	$ 3,419,723	$ 11,317	$ 41,665	3,472,705	3,488,567
Uncategorized				545,374	550,141
TOTALS				$ 4,018,079	$ 4,038,708

State statutes permit the state treasurer to enter into reverse repurchase agreements. It is the policy of the treasurer to match maturities of the investments made with the proceeds of the reverse repurchase agreements to the repurchase agreements.

During the year the treasurer made reverse repurchase agreement transactions totaling $2.39 billion. Interest charged or accrued on June 30, 1996, for these reverse repurchase agreements was $4,622,754. Due to arbitrage the treasurer had realized or accrued interest income on June 30, 1996 of $4,712,437 resulting in a net gain of $89,683 at fiscal year end.

At June 30, 1996 the treasurer had reverse repurchase agreements outstanding of $153,917,900 which includes an additional $121,713 in interest payable. The proceeds of these agreements were reinvested in matching maturities which will net the state an additional $124,076 interest earnings, resulting in a gain of $2,365 at maturity.

Outstanding reverse repurchase agreements at June 30, 1996 were:

- $9,950,000 received to be repaid at 5.15 percent on July 10, 1996. The underlying securities for this transaction are $10,000,000 in U.S. Treasury Notes maturing October 15, 1999; with a carrying value of $10,106,542 and a market value of $9,904,700.
- $21,080,000 received to be repaid at 5.15 percent on July 2, 1996. The underlying securities for this transaction are $20,000,000 in U.S. Treasury Notes maturing February 15, 2007; with a carrying value of $19,682,677 and a market value of $20,759,400.
- $12,912,900 received to be repaid at 5.15 percent on July 2, 1996. The underlying securities for this transaction are $10,725,000 in U.S. Treasury Notes maturing February 15, 2006; with a carrying value of $10,955,764 and a market value of $12,735,937.
- $10,700,000 received to be repaid at 5.15 percent on July 3, 1996. The underlying securities for this transaction are $10,000,000 in U.S. Treasury Notes maturing February 15, 2001; with a carrying value of $10,476,069 and a market value of $10,518,800.
- $19,900,000 received to be repaid at 5.15 percent on July 9, 1996. The underlying securities for this transaction are $20,000,000 in U.S. Treasury Notes maturing October 15, 1999; with a carrying value of $20,572,230 and a market value of $19,809,400.
- $19,300,000 received to be repaid at 5.15 percent on July 11, 1996. The underlying securities for this transaction are $20,000,000 in U.S. Treasury Notes maturing February 15, 2004; with a carrying value of $19,768,428 and a market value of $19,131,200.
- $9,950,000 received to be repaid at 5.15 percent on July 11, 1996. The underlying securities for this transaction are $10,000,000 in U.S. Treasury Notes maturing February 15, 2003; with a carrying value of $9,946,343 and a market value of $9,835,900.
- $50,125,000 received to be repaid at 5.15 percent on July 3, 1996. The underlying securities for this transaction are $50,000,000 in U.S. Treasury Notes maturing June 30, 1998; with a carrying value of $48,294,476 and a market value of $49,078,000.

The state treasurer maintains moneys in an agency fund for the Great Outdoors Colorado Program (GOCO), a related party. At June 30, 1996 the treasurer had $45.4 million of GOCO's funds on deposit and invested. The treasurer also maintains an agency fund for the Colorado Compensation Insurance Authority (CCIA), a related party. At June 30, 1996, the treasurer had $783.5 million of CCIA's funds on deposit and invested.

The following schedule reconciles deposits and investments to the financial statements for the primary government:

(Amounts in Thousands)

Footnote Amounts	Carrying Amount
Deposits	$ 709,670
Investments	4,018,079
Total Balance Sheet Cash and Cash Equivalents, Investments, and Rights Under Deferred Compensation	$ 4,727,749

Component Units

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which governmental units may invest. The risk criteria are defined the same as for the primary government.

The following table lists the component units' investments by type and risk category:

(Amounts in Thousands)

Type of Investment	Risk Category A	Risk Category B	Risk Category C	Carrying Amount	Market Value
U.S. Government Securities	$ 95,366	$ -	$ 31,241	$ 126,607	$ 128,462
Repurchase Agreements	-	-	35,998	35,998	35,998
Other	62,027	-	-	62,027	62,027
Subtotal	$ 157,393	$ -	$ 67,239	224,632	226,487
Uncategorized				64,176	64,176
TOTALS				$ 288,808	$ 290,663

G. PROPERTY, PLANT AND EQUIPMENT

Primary Government

A summary of fixed assets by account groups and fund types follows:

(Amounts in Thousands)

	General Fixed Assets Account Group	Enterprise Funds	Internal Service Funds	Fiduciary Funds	College & University Funds	Totals
Land and Improvements	$ 177,123	$ 6,165	$ -	$ 7,517	$ 131,930	$ 322,735
Buildings and Improvements	688,155	21,476	936	-	1,261,105	1,971,672
Equipment	332,835	26,242	75,166	450	573,951	1,008,644
Library Books and Holdings	2,895	-	-	3,833	205,341	212,069
Construction in Progress	36,968	20	5,599	29	187,698	230,314
Other	10,409	58	16,978	-	740	28,185
Less: Accumulated Depreciation	-	(22,238)	(51,823)	-	(1,184)	(75,245)
Totals	$ 1,248,385	$ 31,723	$ 46,856	$ 11,829	$ 2,359,581	$ 3,698,374

A statement of changes in general fixed assets for the year ended June 30, 1996, is shown below:

(Amounts in Thousands)

	Beginning Balance July 1	Additions	Deductions	Net Change	Ending Balance June 30
Land and Improvements	$ 166,208			$ 10,915	$ 177,123
Buildings and Improvements	671,928			16,227	688,155
Equipment	166,146			166,689	332,835
Library Books and Holdings	3,428			(533)	2,895
Construction in Progress	20,881			16,087	36,968
Other	10,561			(152)	10,409
Totals	$ 1,039,152	$ 312,781	$ 103,548	$ 209,233	$ 1,248,385

Component Units

The Colorado State Fair Authority reported land, furniture and equipment, and leasehold improvements, net of accumulated depreciation, in the amount of $9.1 million at December 31, 1995.

The Denver Metropolitan Baseball Stadium District reported land and improvements, buildings, and other property and equipment, net of accumulated depreciation of $198.1 million at December 31, 1995.

At June 30, 1996, the University of Colorado Hospital Authority reported gross amounts for land, buildings and improvements of $128.6 million, equipment of $73.0 million, and construction in progress of $9.8 million. Accumulated depreciation related to these fixed assets was $61.6 million.

In conjunction with the construction of a new patient tower, certain portions of the Hospital's original building were evaluated, in accordance with the provisions of FASB Statement No. 121, A<u>ccounting for the Impairment of Long-Lived Assets and for Long-Lived Assets Disposed Of</u>, to determine if the carrying amounts of those portions of the building are recoverable from future cash flows. Based on management's analysis, an impairment of $3,893,000 was determined. For Fiscal Year 1995-96, a write-down of that amount has been included in the Hospital's expenses.

H. OTHER LONG-TERM ASSETS

In the governmental funds, the state has reserved the fund balance for long-term assets and long-term loans receivable. The loans in the Special Revenue Fund are made to local entities by the Water Conservation Board for the purpose of constructing water projects in the state. These loans are made for periods ranging from 10 to 40 years at interest rates of 2 to 4 percent. The loans require the entities to make a yearly payment of principal and interest (See Note III-K).

I. FUND BALANCE DEFICITS

The fund deficit of $68.5 million in undesignated fund equity of the Special Revenue Funds is the result of the reserving of fund balance for purchase orders and long-term contracts made related to highway construction. This deficit will be funded from future proceeds of the Highway Fund.

The fund deficit of $4.6 million in undesignated fund balance of the Current Unrestricted Fund in the College and University funds is the result of recording the liability related to compensated absences.

J. FUND EQUITY

Fund equities reserved for other specific purposes at June 30, 1996 are:

(Amounts in Thousands)

Reserved For	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Fiduciary Funds
Debt Retirement			$ 3,587		
Special Capital Construction				$ 20,843	
Unemployment Benefits					$ 550,227
Public School Permanent Moneys					271,627
Water Conservation Construction		$ 91,139			
Benefits for Injured Workers		71,519			
Controlled Maintenance Trust Fund					70,580
Wildlife, Parks and Outdoor Recreation	$ 762	61,266			
Family Issues Cash Fund	51,715				
Energy Conservation	26,905				
Colorado Gaming Fund		26,351			
Hazardous Substances Response	21,099				
Public School Fund	14,005				
Uranium Mill Tailing Removal	12,500				
Severance Tax	9,877				11,659
Victims of Crime	1,300				11,731
Uninsurable Health Insurance Plan	11,011				
Mineral Leasing	10,467				
Economic Development Moneys	6,406				
Workers Compensation Regulation	6,391				
Secretary of State's Fees	6,211				
Old Age Pension Stabilization	5,000				
Underground Storage Tanks	4,519				
Aviation Fund	4,328				
Regulatory License and Fee Adjustment	4,064				
Domestic Water Supply Project	3,647				

(Continued)

(Continued)

(Amounts in Thousands)

Reserved For	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Fiduciary Funds
Mined Land Reclamation	1,380				3,533
Elderly Property Tax Deferral	3,326				
Distributed Data Processing		3,388			
CERCLA Recovery Fund	2,912				
Limited Gaming Impact Fund	2,886				
General Liability Fund	2,628				
Inactive Mines					2,496
Real Estate Recoveries					2,484
Drug Offenders Surcharge Fund	2,424				
Unemployment Revenue Fund	2,344				
Emergency Medical Services		2,216			
Public Employees Social Security	2,182				
Patient Benefit Fund					2,174
Disaster Emergency Fund	2,104				
Emission Control		2,069			
Supreme Court Grievance Committee					2,031
Treasurer's Escheats Fund					2,085
Public Utilities Commission High Cost Fund	1,843				
Central Indexing System	1,678				
Housing Rehabilitation Revolving Loans					1,473
Brand Inspection Fund	1,455				
Emergency Response Cash Fund	1,296				
Low Income Telephone Assistance	1,271				
Hazardous Waste Fees	1,072				
Risk Management Property Fund	981				
Art in Public Places	821				
Public Health and Environment Donations	775				
Natural Resources Foundation					767
Children's Trust Fund	723				
Other Special Purpose Programs	30,477	1,366			11,226
Totals	$ 264,785	$ 259,314	$ 3,587	$ 20,843	$ 944,093

K. PRIOR PERIOD ADJUSTMENTS

Primary Government

On the *Combined Statement of Revenues, Expenditures, and Changes in Fund Balances, All Governmental Fund Types, Expendable Trust Funds, and Discretely Presented Component Units*, the fund balance of the Special Revenue Fund increased by $4,379,321 because the method of accruing interest was changed retroactively from the fixed rate interest method to the effective interest method in the Water Conservation Projects Fund. (See Note III-H)

Component Units

The University of Colorado Hospital Authority has adopted Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities, which requires all debt securities to be recorded at fair value. The Hospital maintains only available-for-sale securities, which include any security for which the Authority has no immediate plan to sell but which may be sold in the future. Interest, dividends, and unrealized gains and losses, based on the specific identification method, are included in nonoperating income when earned. Unrealized gains and losses are recorded in fund balance. Fund balance decreased by $685,000 to reflect the change in unrealized losses on available-for-sale securities for the fiscal year ended June 30, 1996. Fund balance also increased by $24,000 for other adjustments.

L. TRANSFERS BETWEEN FUNDS

Major operating transfers between funds for the fiscal year ended June 30, 1996, were as follows:

(Amounts in Thousands)

Transfer	Amount
General Fund to Higher Education	$ 560,282
General Fund to Regular Capital Construction	274,962
General Fund to Controlled Maintenance Fund	176,000
Capital Construction to Higher Education	71,694
Highway Fund to General Fund	36,835
Lottery Fund to Conservation Trust Fund	33,055
Capital Construction to Debt Service Fund	31,041
School Income Expendable Trust Fund to General Fund	27,562
Gaming Fund to General Fund	20,835
Capital Construction to Controlled Maintenance Fund	20,000
Capital Construction to Highway Fund	13,193
Lottery Fund to Wildlife Fund	8,264
Wildlife Fund to Regular Capital Construction Fund	7,623
Higher Education to General Fund	4,214
General Fund to Permanent Trust Lands	4,200
General Fund to Water Projects Construction Fund	3,635
Gaming Fund to Highway Fund	3,156
Highway Fund to Regular Capital Construction	2,999
Treasurer's Expendable Trust to General Fund	5,460
Wildlife Fund to General Fund	2,137
Water Projects Construction Fund to General Fund	1,895
Permanent Trust Lands to General Fund	1,559
Other	12,948
Total	$1,323,549

In addition to the above transfers, residual equity transfers were made from the proprietary funds to the governmental funds and the General Fixed Assets Group of Accounts. Transfers were also made from the General Fixed Asset Account Group to the proprietary funds. The account groups do not have a statement of operations, and thus, matching transfers are not shown in the statements. In the proprietary funds, these are shown as "Additions (Deductions) To Contributed Capital" in the fund equity section of the *Combined Statement of Revenues, Expenses, and Changes in Fund Equity, All Proprietary Fund Types, Similar Trust Funds, and Discretely Presented Component Units* in the amount of $2,376,967. This amount comprises the following transactions:

- During Fiscal Year 1995-96 the state changed its accounting for risk management from a proprietary fund to the General Fund as required by GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues. GASB 10 requires a viable plan to fund deficits resulting from actuarially determined liabilities if an entity's risk management is to be accounted for in an internal service fund. The $93,271,740 deficit in the Risk Management Internal Service Fund was eliminated by three separate transactions. Surplus net assets for self-insurance of property in the amount of $293,410 were transferred from the Risk Management Internal Service Fund to the General Fund after the General Long-Term Debt Account Group assumed $4,751 of liabilities of the fund. The General Long-Term Debt Account Group also assumed $16,254,256 of liabilities of the internal service fund for general liability self-insurance and $77,306,143 of liabilities for workers' compensation self-insurance.

- Upon completion of a capital construction project, the Telecommunications Internal Service Fund received $798,420 in assets from the General Fixed Assets Account Group which were funded by the Regular Capital Construction Fund and shown as additions to contributed capital. The account group does not have an operating statement, thus there is not a corresponding transfer-out.

- During Fiscal Year 1995-96 the Department of Transportation discontinued using the Highways Internal Service Fund to account for its equipment used on projects. Thus, $10,849,323 of cash was transferred from the internal service fund to the Highways Special Revenue Fund and $80,843,870 of equipment was transferred to the General Fixed Assets Account Group. The account group does not have an operating statement, thus there is not a corresponding transfer-in.

The State Nursing Homes, an enterprise fund, received $72,582 of fixed assets from the General Fixed Asset Account Group which were funded by the Regular Capital Construction Fund and shown as additions to contributed capital. The account group does not have an operating statement, thus there is not a corresponding transfer-out.

M. SEGMENT INFORMATION

Primary Government

The principal activities of the state's enterprise funds are the guaranteed student loan program, the lottery, the state's nursing homes, and enterprises at the state's prisons.

The guaranteed student loan program guarantees loans made by private lending institutions, in compliance with operating agreements with the U.S. Department of Education, to students attending postsecondary schools.

The State Lottery encompasses the various lottery and lotto games run under state statute. In the past, net proceeds were used to support various state construction projects. In Fiscal Year 1993-94, the Great Outdoors Colorado Program began the phased reduction of the amount of net lottery proceeds available for state construction projects.

The state nursing homes provide nursing home and retirement care to the elderly. The state's nursing homes are located at Homelake, Florence, Rifle, and Trinidad.

Enterprise activities at the state's prisons include the sale of manufactured goods and farm products produced by convicted criminals who are incarcerated in the state's prison system.

Segment information for the enterprise funds of the state for the year ended June 30, 1996, is:

(Amounts in Thousands)

	GUARANTEED STUDENT LOAN	STATE LOTTERY	BUSINESS ENTERPRISE PROGRAM	STATE NURSING HOMES	PRISON CANTEENS	CORREC-TIONAL INDUSTRIES	OTHER ENTERPRISE ACTIVITIES	TOTALS
Operating Revenue	$ 65,620	$ 331,634	$ 540	$ 14,373	$ 6,568	$ 21,267	$ 2,319	$ 442,321
Federal Grants and Contracts	53,540	-	531	3,049	-	-	-	57,120
Depreciation	514	469	272	467	24	769	24	2,539
Operating Income	3,532	40,015	(655)	158	1,209	660	(156)	44,763
Operating								
Transfers-In	-	-	-	232	-	4	62	298
Transfers-(Out)	(290)	(41,665)	-	(96)	(68)	(572)	(141)	(42,832)
Net Income (Loss)	3,242	49	(106)	327	1,158	96	7	4,773
Additions to Contributed Capital	-	-	-	73	-	-	(6)	67
Working Capital	30,699	222	480	2,317	2,687	10,840	1,496	48,741
Increase in Net Property, Plant, and Equipment	(144)	347	(107)	58	(10)	1,262	(21)	1,385
Total Assets	52,619	41,097	1,252	18,907	3,614	21,880	5,730	145,099
Bonds and Other Long-Term Liabilities	567	682	30	1,291	76	1,799	67	4,512
Fund Equity	31,287	1,219	1,059	16,672	2,966	18,205	5,443	76,851

Component Units

The Colorado State Fair Authority is governed by a board of commissioners, whose members are appointed by the Governor. They are charged with producing the annual Colorado State Fair and Industrial Exposition at the fairgrounds in Pueblo.

The Colorado Water Resources and Power Development Authority's purpose is to initiate, acquire, construct, maintain, repair and operate, or cause to be operated, projects for the protection, preservation, conservation, upgrading, development and utilization of the water resources of the state.

The Denver Metropolitan Major League Baseball Stadium District includes all or part of the six counties in the Denver metro area. The District was created for the purpose of acquiring, constructing and operating a major league baseball stadium. The District levies a sales tax of one-tenth of one percent throughout this District for a period not to exceed 20 years for this purpose.

University Hospital is a nonsectarian, general acute care regional hospital operated by the University of Colorado Hospital Authority. It is the teaching hospital of the University of Colorado Health Sciences Center. The Hospital's mission is to provide education, research and a full spectrum of primary, secondary and tertiary health care services to the Denver metropolitan area and the Rocky Mountain Region.

The Colorado Uninsurable Health Insurance Plan is a non-profit public entity created to provide access to health insurance for those Colorado residents that are unable to obtain health insurance, or unable to obtain health insurance except at prohibitive rates or with restrictive exclusions.

The following is condensed financial information for the component units for their respective fiscal years:

DOLLARS IN THOUSANDS	PROPRIETARY FUND TYPES					FIDUCIARY FUND TYPE
	COLORADO STATE FAIR AUTHORITY	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	UNIVERSITY OF COLORADO HOSPITAL AUTHORITY	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	COLORADO UNINSURABLE HEALTH INSURANCE PLAN	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY
ASSETS:						
Current Assets	$ 242	$ 6,315	$ 60,916	$ 56,890	$ 3,574	$ 28,366
Investments	347	-	121,351	51,778	-	49,380
Property, Plant and Equip., net	9,090	198,075	149,933	64	-	-
Other Long-Term Assets	94	2,314	10,316	194,378	11,646	-
Total Assets	$ 9,773	$ 206,704	$ 342,516	$ 303,110	$ 15,220	$ 77,746
LIABILITIES:						
Current Liabilities	$ 2,690	$ 5,145	$ 49,703	$ 21,826	$ 3,133	$ 34,941
Capital Lease Obligations	527	6,791	-	-	-	-
Notes and Bonds Payable	3,354	111,319	137,882	182,572	-	-
Other Long-Term Liabilities	54	-	7,379	-	-	-
Total Liabilities	6,625	123,255	194,964	204,398	3,133	34,941
FUND EQUITY:						
Contributed Capital	-	386	-	57,883	-	-
Retained Earnings	3,148	83,063	-	40,829	12,087	-
Fund Balances:						
Reserved	-	-	-	-	-	42,805
Undesignated	-	-	147,552	-	-	-
Total Fund Equity	3,148	83,449	147,552	98,712	12,087	42,805
Total Liabilities and Fund Equity	$ 9,773	$ 206,704	$ 342,516	$ 303,110	$ 15,220	$ 77,746

(Continued)

(Continued)

DOLLARS IN THOUSANDS	PROPRIETARY FUND TYPES					FIDUCIARY FUND TYPE
	COLORADO STATE FAIR AUTHORITY	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	UNIVERSITY OF COLORADO HOSPITAL AUTHORITY	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	COLORADO UNINSURABLE HEALTH INSURANCE PLAN	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY
OPERATING REVENUES	$ 7,174	$ 810	$ 241,927	$ 13,162	$ 8,133	$ 2,552
OPERATING EXPENSES:						
Depreciation	362	3,740	9,501	14	-	-
Other Operating Expenses	7,564	154	209,160	12,645	9,010	-
Total Operating Expenses	7,926	3,894	218,661	12,659	9,010	-
Operating Income/Excess (Loss)	(752)	(3,084)	23,266	503	(877)	2,552
Non-Operating Revenues and (Expenses)/Transfers:						
Taxes	-	23,622	-	-	-	-
Other	863	(5,697)	6,211	3,648	583	-
Transfers, net	-	-	-	1,506	-	(1,506)
Total Non-Operating Revenues and (Expenses)/Transfers	863	17,925	6,211	5,154	583	(1,506)
Net Income/Change in Retained Earnings	111	14,841	29,477	5,657	(294)	1,046
Fund Equity/Balance, Beg. of Year	3,037	68,608	118,736	83,656	12,379	41,759
Additions (Deductions) to						
Contributed Capital	-	-	-	9,399	-	-
Prior Period Adjustment	-	-	(661)	-	2	-
Fund Equity/Balance, End of Year	$ 3,148	$ 83,449	$ 147,552	$ 98,712	$ 12,087	$ 42,805

N. OTHER DISCLOSURES

Primary Government

The Colorado Medical Services Foundation, a related organization, was established to support patient billing and collections for physician fees for the University of Colorado Health Sciences Center. During Fiscal Year 1995-96 the university was reimbursed $59.5 million from the foundation for salaries, insurance, and other operating costs. In addition, the foundation reimbursed the university $621,977 for professional liability insurance and administrative costs. At June 30, 1996, the foundation owed the university $213,289.

The Colorado State University Foundation was established to receive, manage, and invest philanthropic gifts to Colorado State University. During Fiscal Year 1995-96, the foundation transferred $9,913,000 to the university.

The University of Colorado Foundation, Inc., an unconsolidated affiliated corporation, was established in 1967 as a separate corporation to solicit, collect, and invest donations for the university. The foundation distributed $30,819,000 to the university in Fiscal Year 1995-96.

The Fort Lewis College Foundation was established to assist in promoting, developing, and enhancing the facilities and programs of the college. During Fiscal Year 1995-96 the foundation transferred $1,476,000 to the college.

The Great Outdoors Colorado Board (GOCO) is a constitutionally created entity whose purpose is to administer the Great Outdoors Colorado Program and Trust Fund. The program's purpose is to invest money it receives from the Colorado Lottery in the wildlife and outdoor recreation resources of the state. During Fiscal Year 1995-96 the board transferred $4,688,000 to the Department of Natural Resources. At June 30, 1996, $275,279 was due the department from the board.

The Colorado School of Mines Foundation, Inc. was established in 1928 as a separate corporation for the purpose of benefiting the School of Mines by soliciting, collecting, and investing donations. During Fiscal Year 1995-96 the school received $4,200,783 from the foundation.

The Colorado School of Mines Building Corporation was established in 1976 for the purpose of building a facility to house the United States Geological Survey. The Geological Survey leases the facility from the corporation. The net assets of the corporation were $3,347,733 at June 30, 1996.

The Fire and Police Pension Association, a related party, was established to insure the financial viability of local government pension plans for police and firefighters. In Fiscal Year 1995-96, the state treasurer transferred $52.1 million to the association to enhance its actuarial soundness. In addition, the treasurer also paid for the accidental death and disability insurance policy the Association provides to volunteer firefighters.

Component Units

The University of Colorado Hospital Authority has contracted with University Physicians, Inc. (UPI), a related party, for the administration of various hospital programs and for various professional laboratory services. The Hospital and UPI have also entered into other joint arrangements in furthering the missions of both organizations. Amounts of approximately $21.0 million and $16.5 million were paid for these programs during Fiscal Years 1995-96 and 1994-95, respectively.

The Hospital leases certain employees to the Adult Clinical Research Center (CRC), a related party, at full cost and also provides overhead and ancillary services for CRC patients. Charges of approximately $903,000 and $1,032,000 were billed to CRC for the cost of these services.

The Hospital also leases certain employees to the Colorado Psychiatric Hospital, a related party, and provides various clinical and administrative services. Amounts for these services charged by the Hospital were approximately $4.8 million and $4.5 million during Fiscal Years 1995-96 and 1994-95, respectively.

Chartwell Rocky Mountain Region is a Colorado general partnership between the Hospital and Chartwell Home Therapies Limited Partnership, a Massachusetts limited partnership. Chartwell Rocky Mountain Region was formed to provide home infusion and respiratory services to alternate site patients. The partnership began in April 1996. Both the Hospital and Chartwell Home Therapies Limited Partnership each have a 50 percent ownership in Chartwell Rocky Mountain Region. Separate financial statements of Chartwell Rocky Mountain Region are available from Chartwell Home Therapies Limited Partnership.

NOTE IV. COMMITMENTS AND CONTINGENCIES

A. CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities are summarized as follows:

Primary Government

(Amounts in Thousands)

	Governmental Fund Types	Proprietary Fund Types	Trust & Agency Funds	Long-Term Debt Accounts	College & University Funds	Totals
Beginning Balance, July 1, 1995	$ 6,608	$ 100,302	$ 1,154,395	$ 442,008	$ 480,826	$ 2,184,139
Obligations Issued or Assumed	-	-	-	-	65,417	65,417
Obligations Retired or Reclassified	-	(75)	-	-	(39,373)	(39,448)
Increase (Decrease) in Deposits Held	(1,877)	139	32,020	-	2,389	32,671
Increase (Decrease) in Capital Leases	-	3,865	17	(28,197)	6,602	(17,713)
Increase (Decrease) in Comp. Absences	-	240	15	2,818	3,392	6,465
Increase (Decrease) in Deferred Comp.	-	-	26,945	-	-	26,945
Increase (Decrease) in Other Liabilities						
Claimant Benefits	-	(390)	113	-	-	(277)
Tax Refunds Payable	-	-	(2,523)	-	-	(2,523)
Risk Management Claims	-	-	-	88,792	(641)	88,151
Unpaid Insurance Claims	-	(79,549)	-	(543)	-	(80,092)
Expired Warrants Liability	-	4	-	-	-	4
Labor Fund Claims	-	-	-	(13,730)	-	(13,730)
Other	(34)	-	(242)	1,940	5,708	7,372
Ending Balance June 30, 1996	$ 4,697	$ 24,536	$ 1,210,740	$ 493,088	$ 524,320	$ 2,257,381

Component Units

(Amounts in Thousands)

	Colorado State Fair Authority	Denver Metropolitan Major League Baseball Stadium District	University of Colorado Hospital Authority	Colorado Water Resources and Power Development Authority	Colorado Uninsurable Health Insurance Plan	Totals
Beginning Balance	$ 4,196	$ 109,850	$ 128,142	$ 167,646	$ -	$409,834
Obligations Issued	-	-	23,500	24,525	-	48,025
Obligations Retired or Reclassified	(781)	1,469	(2,167)	(9,599)	-	(11,078)
Increase (Decrease) in Capital Leases	518	6,791	-	-	-	7,309
Increase (Decrease) in Comp. Absences	2	-	(339)	-	-	(337)
Increase (Decrease) in Other Liabilities	-	-	(3,875)	-	-	(3,875)
Ending Balance	$ 3,935	$ 118,110	$ 145,261	$ 182,572	$ -	$449,878

B. LEASE COMMITMENTS

Primary Government

The state may enter into lease or rental agreements for buildings or equipment. All leases contain clauses indicating that continuation of the lease is subject to funding by the legislature. It is reasonably assured that most of these leases will be renewed in the normal course of business. They are therefore treated as noncancelable for financial reporting purposes.

At June 30, 1996, the state had $357.4 million of gross assets under capital leases, $410,964 in minimum sublease rentals, and no contingent rentals outstanding.

Colorado State University Research Foundation, a related party, is a not-for-profit Colorado corporation established to aid and assist the three universities governed by the State Board of Agriculture in their research and educational efforts. The support provided by the foundation to the universities includes patent and licensing management, equipment leasing, municipal lease administration, debt financing, and land acquisition, development and management. Colorado State University System is sub-leasing space from the foundation. The total obligation is $2,608,000, with average annual lease payments of $382,000. Colorado State University is also sub-leasing space from the foundation. The total obligation is $5,244,000, with average annual lease payments of $747,000.

The university is also leasing equipment from the foundation and has a total lease obligation of $578,000 with terms ranging from one to five years.

The state is obligated under certain leases which are accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations. Therefore, the results of the lease agreements are not reflected in the balance sheets of the funds or account groups.

For the Fiscal Year 1995-96 the state had building and land rental expenditures of $24.2 million and equipment and vehicle rental expenditures of $28.7 million paid to non-state agencies.

Future minimum payments at June 30, 1996, for existing leases were as follows:

(Amounts in Thousands)

	Fiscal Year	Operating Leases	Capital Leases: Enterprise Funds	Internal Service Funds	Trust & Agency Funds	General Long-Term Debt	College & University Funds
	1997	$ 24,776	$ 444	$ 7,773	$ 6	$ 38,513	$ 16,815
	1998	20,342	444	6,360	6	31,218	14,700
	1999	18,122	444	5,439	6	14,689	14,306
	2000	15,267	444	4,751	6	3,604	14,194
	2001	12,868	333	3,636	2	3,616	15,097
	Thereafter	53,960	-	1,960	-	13,671	60,851
Total Minimum Lease Payments		$ 145,335	2,109	29,919	26	105,311	135,963
Less: Imputed Interest			(573)	(5,415)	(5)	(16,959)	(42,702)
Present Value of Minimum Lease Payments			1,536	24,504	21	88,352	93,261
Less: Current Portion			(248)	(6,425)	(1)	-	(9,628)
Total Capital Lease Obligations			$ 1,288	$ 18,079	$ 20	$ 88,352	$ 83,633

Component Units

The University of Colorado Hospital Authority leases certain equipment under non-cancelable operating leases. Rental expense for operating leases approximated $6,257,000 and $6,532,000 for Fiscal Years 1995-96 and 1994-95, respectively, for the Hospital. Future minimum lease payments for these leases at June 30, 1995 are:

Fiscal Year	Amounts in Thousands
1997	$ 3,756
1998	1,391
1999	910
2000	585
2001	350
Thereafter	9,679
Total Minimum Obligations	$16,671

The Colorado State Fair Authority leases real estate and buildings known as the Colorado State Fairgrounds from the state, for an annual payment of $10. Provisions of the lease provide that it shall continue in existence and automatically be renewed for as long as the State Fair is held thereon.

The Authority has other assets under capitalized leases with a total cost of $581,167. Future minimum lease payments for these leases at December 31, 1995 are:

Fiscal Year	Amounts in Thousands
1996	$ 93
1997	92
1998	89
1999	86
2000	82
Thereafter	389
Future Minimum Payments	831
Less: Imputed Interest	(269)
Present Value of Minimum Lease Payments	562
Less: Current Portion	(35)
Total Capital Lease Obligation	$ 527

The Denver Metropolitan Major League Baseball Stadium District entered into a lease agreement in November 1994 to purchase seating, elevators, and escalators for the stadium. The economic substance of the lease is that the District is financing the purchase of the property. Disclosure of its future minimum lease payments is included with the District's notes and bonds payable.

C. NOTES AND BONDS PAYABLE

Primary Government

Many institutions of higher education and the state nursing homes have issued bonds and notes for the purchase of equipment and construction of facilities. Specific user revenues are pledged for the payments of interest and future retirement of the obligations. During Fiscal Year 1995-96, the state had $100.4 million of available net revenue after operating expenses to meet the $27.3 million of debt service requirement related to these bonds. The state is not aware of any violations of any note or bond covenants by itself or any of its institutions at June 30, 1996, or subsequent to that date.

The state recorded $45.1 million of interest costs of which approximately $5.0 million was for certificates of participation for capital financing, $14.3 million was for short-term borrowings by the treasurer, $6.9 million was for the Guaranteed Student Loan Program, $17.0 million was for debt issued by various institutions of higher education, and $1.9 million of operating interest.

Annual maturities of notes and bonds payable, including $1.6 million classified as other current liabilities and excluding $3.8 million of unamortized bond discounts and premiums, are as follows:

(Amounts in Thousands)

Fiscal Year	Revenue Bonds	Anticipation Warrants	Mortgages Payable	Installment Notes	Total
1997	$ 29,551	$ 121	$ 50	$ 41	$ 29,763
1998	30,641	125	50	7	30,823
1999	30,770	123	50	-	30,943
2000	30,762	126	50	-	30,938
2001	44,155	128	50	-	44,333
2002-2006	135,038	130	250	-	135,418
2007-2011	117,811	-	150	-	117,961
2012-2016	66,599	-	-	-	66,599
2017-2021	20,110	-	-	-	20,110
2022-2026	1,919	-	-	-	1,919
Total Future Payments	507,356	753	650	48	508,807
Less: Imputed Interest	(194,606)	(173)	(180)	(2)	(194,961)
Total Principal Payments	$ 312,750	$ 580	$ 470	$ 46	$ 313,846

Component Units

The Denver Metropolitan Major League Baseball Stadium District's bonds are secured by pledged revenues consisting principally of the net proceeds derived by the district from the levy of a one-tenth of one percent sales tax upon all taxable retail sales within the six county area comprising the jurisdiction of the district.

The outstanding bond principal and interest payments are also unconditionally and irrevocably guaranteed under a noncancelable insurance policy issued by Financial Guaranty Insurance Company. The company has a lien on the district's assets, subordinate to that granted to the bondholders, to secure repayment of amounts paid and expenses incurred by it, if any, under the policy.

All of the Water Resources and Power Development Authority's Small Water Resources Program bonds and the Series 1989A and Series 1990A Clean Water Revenue Bonds and Series 1989A and Series 1990A State Match Revenue Bonds are insured as to payment of principal and interest by Financial Guaranty Insurance Company. The Clean Water Revenue Bonds, Series 1992A are insured as to payment of principal and interest by Financial Security Assurance, Inc.

The debt service requirements to maturity for the Water Resources and Power Development Authority and the capital lease and debt service requirements for the Baseball Stadium District at December 31, 1995 are:

(Amounts in Thousands)

Year	Denver Metropolitan Major League Baseball Stadium District	Colorado Water Resources and Power Development Authority
1996	$ 16,768	$ 18,569
1997	16,767	18,867
1998	16,766	18,961
1999	16,770	19,151
2000	16,768	18,971
Thereafter	82,309	218,121
Total Future Payments	166,148	312,640
Less: Imputed Interest	(36,892)	(121,540)
Total Principal Payments	$ 129,256	$ 191,100

In connection with the State Fair Authority's issuance of various series of revenue bonds, the authority has restricted certain assets and established various bond sinking funds. However, at December 31, 1995 the Authority was not in compliance with the debt service coverage ratio required in its debt agreement. In addition, as of March 1, 1996, the authority was in default on payments of its 1994-B Term Note to Colorado National Bank.

The aggregate maturities of capital leases and long-term debt for the State Fair Authority at December 31, 1995 are:

(Amounts in Thousands)

Year	Colorado State Fair Authority
1996	$ 1,170
1997	1,240
1998	140
1999	148
2000	154
Thereafter	2,199
TOTAL	$ 5,051

During Fiscal Year 1995-96 the University of Colorado Hospital Authority met all the financial ratio requirements of its bond indenture. In addition, the Hospital maintained the required minimum balance in its reserve fund to service the debt.

The aggregate maturities of long-term debt for University Hospital at June 30, 1996 are:

(Amounts in Thousands)

Year	University of Colorado Hospital Authority
1997	$ 1,942
1998	2,327
1999	2,510
2000	2,615
2001	2,730
Thereafter	128,581
TOTAL	$ 140,705

Total interest cost for the Hospital in Fiscal Year 1995-96 was $7,384,000, of which $6,062,000, net of interest income of $2,270,000, was capitalized in property and equipment. Total interest cost incurred in Fiscal Year 1994-95 was $7,367,000, of which $6,062,000, net of interest income of $4,487,000, was capitalized.

D. OTHER LONG-TERM LIABILITIES

The following obligations, listed by fund type, represent amounts owed by the state at June 30, 1996, which are classified as other long-term liabilities on the balance sheet:

(Amounts in Thousands)

	General Fund	Proprietary Funds	Trust & Agency Funds	Long-Term Debt Accounts	College & University Funds	Totals
Claimant Benefits	$ -	$ -	$ 113	$ -	$ -	$ 113
Tax Refunds Payable	-	-	8,209	-	-	8,209
Risk Management Claims	-	-	-	88,792	39,758	128,550
Unpaid Insurance Claims	-	701	-	2,375	-	3,076
Expired Warrant Liability	-	98	-	-	-	98
Labor Fund Claims	-	-	-	207,550	-	207,550
Other	284	-	1,184	9,415	3,134	14,017
TOTAL	$ 284	$ 799	$ 9,506	$ 308,132	$ 42,892	$ 361,613

Tax Refunds Payable in the fiduciary funds are bonds posted by taxpayers concerning the collections of gross-ton-mile and fuel tax, and a one-time repayment of severance taxes collected over several years.

The Risk Management Claims in the Long-Term Debt Account Group are the actuarially determined amounts in excess of the current liability in the General Fund related to self-insurance of general liability and expected claims under the Paid Loss/Retro Plan for workers' compensation. The Risk Management Claims in the College and University Funds are for the University of Colorado's self-insurance program for general liability, property, workers' compensation, medical benefits, and medical malpractice.

The Unpaid Insurance Claims in the Long-Term Debt Account Group are for the Department of Human Services workers' compensation self-insurance.

Expired Warrants Liability is for warrants issued by the Lottery Fund that have expired but for which the Lottery would be liable if the payee submitted a claim for reissue.

The amount shown as Other in the Long-Term Debt Account Group is primarily the amount owed to the City of Colorado Springs. The city advanced the state funds for highway construction. The portion of the advance accrued in the current year was recorded as an advance from public or private sources in the other financing section of the *Combined Statement Of Revenues, Expenditures, And Changes In Fund Balances, All Governmental Fund Types And Expendable Trust Funds.*

Long-term liabilities against the Labor Fund are recorded in the General Long-Term Debt Account Group. Estimated future payments are actuarially determined. Benefits are expected to be funded through future revenues from a special tax on workers' compensation premiums, court awards and interest income.

E. DEFEASED DEBT

Primary Government

Debt is defeased by depositing in escrow accounts an amount sufficient, together with known minimum investment yields, to pay principal, interest, and any redemption premium on the debt to be defeased. During Fiscal Year 1995-96, debt was defeased in the College and University Plant Funds.

During Fiscal Year 1995-96 the University of Colorado advanced refunded $32,150,000 of debt by depositing with an escrow agent $32,940,000 of proceeds from new debt. The retired debt included the following bond instruments: Student Facilities – Series 1986, Student Recreation Center – Series 1989, Auxiliary Facilities System – Series 1990 issue, and Auxiliary Facilities System – Series 1992B issue. The new debt had interest rates ranging from 3.8% to 5.375%, and terms from 14 to 19 years. The old debt had interest rates from 4.5% to 8.75%, and terms from 14 to 20 years. The university recorded an accounting gain of $2,150,000, an economic gain of $1,988,184, and a decrease of $5,384,725 in the cash flows necessary to service the debt to maturity.

The University of Colorado also advanced refunded $10,860,000 of debt by depositing with an escrow agent $11,055,000 of proceeds from new debt. The retired debt included their Research Revolving Fund Revenue – Series 1986 issue and their Research Revolving Fund Revenue – Series 1990 issue. The new debt had interest rates ranging from 3.9% to 6.0%, and terms from 9 to 14 years. The old debt had interest rates from 6.5% to 9.0%, and terms from 11 to 15 years. The university recorded an accounting gain of $1,108,822, an economic gain of $791,501, and a decrease of $2,307,920 in the cash flows necessary to service the debt to maturity.

The Auraria Higher Education Center advanced refunded $16,305,000 of debt by depositing with an escrow agent $18,030,000 of proceeds from new debt. The retired debt included their Student Fee Revenue Bonds – Series 1989, Series 1991B, and Series 1992. The new debt has terms up to 25 years. Auraria recognized an accounting loss of $1,310,264, an economic gain of $537,323, and an increase in cash flows necessary to service the debt to maturity of $5,937,026.

The balances of outstanding debt at June 30, 1996, which have been placed in escrow type accounts with paying agents are as follows:

(Amounts in Thousands)

University of Colorado	$60,915
Auraria Higher Education Center	38,030
Colorado State University	23,373
Department of Personnel	15,270
Western State College	12,975
University of Northern Colorado	11,060
Fort Lewis College	5,252
School of Mines	5,155
University of Southern Colorado	4,605
Mesa State College	2,920
Adams State College	1,610
Arapahoe Community College	495
TOTAL	$181,660

Component Units

The Denver Metropolitan Major League Baseball Stadium District had total debt service, including principal and interest, remaining for its defeased debt of $128,561,000 at December 31, 1995, assuming no early redemption.

The Colorado Water Resources and Power Development Authority had $14,745,000 of bonds previously issued but defeased at December 31, 1995.

F. RISK MANAGEMENT

Primary Government

The state currently self-insures its agencies, officials, and employees for the risks of losses to which they are exposed. That includes general liability, motor vehicle liability, worker's compensation, and medical claims. The Risk Management Fund is a restricted General Fund used for claims adjustment, investigation, defense, and authorization for the settlement and payment of claims or judgments against the state except for employee medical claims. The State Employees and Officials Insurance Fund is an Internal Service Fund established for the purpose of risk financing employee's and official's medical claims. Property claims are not self-insured, rather the state has purchased insurance.

Colorado employers are liable for occupational injuries and diseases of their employees. Benefits are prescribed by the Worker's Compensation Act of Colorado for medical expenses and loss of wages resulting from job-related disabilities. The state utilizes the services of the Colorado Compensation Insurance Authority, a related party, to administer its plan. The state reimburses the Authority for the current cost of claims paid and related administrative expenses.

The Regents of the University of Colorado are self-insured for worker's compensation, auto, general and property liability, and official's and employee's medical claims. The university's medical claims are handled by a third party through a contractual agreement. The university has also purchased stop-loss insurance for individual medical claims in excess of $500,000.

The University of Colorado Health Sciences Center's Housestaff Health Benefits Plan is a self-insurance health benefits program for physicians in training at the Health Sciences Center. The Center also self-insures its faculty, staff and students for medical malpractice through the University of Colorado Self Insurance Risk Management Trust. Excess risk exposure is handled through the purchase of stop-loss insurance for individual medical claims in excess of $80,000 per year and an aggregate of $3,036,600 for the entire plan. The discounted liability for malpractice is determined annually by an actuarial study.

All funds and agencies of the state, with the exception of the public authorities and the University of Colorado, participate in the Risk Management Fund. Agency premiums are based on an assessment of risk exposure and historical experience. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

The Department of Human Services previously managed its own risks related to workers' compensation, but is now covered under the Risk Management Fund. However, claims are still paid by Human Services Workers' Compensation Plan.

During Fiscal Years 1994-95 and 1995-96 the claims against the State Employees and Officials Insurance Fund exceeded the premiums collected. This resulted in decreases in the medical reserve fund equity of approximately $3 million and $2.1 million, respectively. The fund includes several medical plan options ranging from provider of choice to managed care. In Fiscal Year 1995-96 the enrollment in two of the most expensive plans, those with the highest level of benefits due to the option of using out-of-network providers, decreased while the claims expense increased.

There were no significant reductions or changes in insurance coverage from the prior year. Settlements did not exceed insurance coverage in any of the past three fiscal years.

Changes in the balances of claims liabilities were as follows:

Amounts in Thousands

Fiscal Year	Liability at July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability at June 30
Risk Management:				
Liability Fund				
1995-96	$ 19,764	$ 3,699	$ 2,787	$ 20,676
1994-95	13,128	9,428	2,792	19,764
Workers' Compensation				
1995-96	84,612	19,664	21,074	83,202
1994-95	52,806	60,027	28,221	84,612
Employee's and Officials Insurance Fund:				
1995-96	9,160	56,753	56,713	9,200
1994-95	7,560	53,802	52,202	9,160
1993-94	6,895	41,562	40,897	7,560
University of Colorado:				
General Liability, Property, and Workers' Compensation				
1995-96	16,365	9,591	7,590	18,366
1994-95	13,952	8,564	6,151	16,365
Medical Benefits Plan				
1995-96	15,008	22,611	24,127	13,492
1994-95	12,495	25,303	22,790	15,008
Univ. of Colorado Health Sciences Center:				
Medical Malpractice				
1995-96	8,478	(166)	885	7,427
1994-95	10,256	(923)	855	8,478
Housestaff Health Benefits				
1995-96	548	2,193	2,268	473
1994-95	534	2,757	2,743	548
Department of Human Services:				
Workers' Compensation				
1995-96	2,918	-	543	2,375
1994-95	3,507	-	589	2,918

Component Units

As of October 1, 1989, the University of Colorado Hospital Authority began self-insuring against malpractice claims in excess of coverage provided by the University of Colorado Self Insurance Risk Management Trust in which the hospital participates. The hospital has established an additional self-insurance trust fund for uninsured losses, funding of which is determined by an independent actuarial computation. At June 30, 1996 and 1995, the hospital's trust fund had investments of $440,000 and $511,000, respectively. The charge to expense for actual or potential self-insurance claims related to the additional self-insurance trust fund was $-0- during the years ended June 30, 1996 and 1995.

The hospital purchases insurance coverage from the University of Colorado Intergovernmental Pool for workers' compensation, property crime, auto and general liability. Amounts paid for such coverage were $1,905,000 and $2,383,000 for Fiscal Years 1995-96 and 1994-95, respectively.

G. CONTINGENCIES

Primary Government

Most claims against the state are limited by the Colorado Governmental Immunity Act which sets upper limits of state liability at $150,000 per person and $400,000 per occurrence. Judgments awarded against the state for which there is no insurance coverage or which are not payable from the Risk Management Fund ordinarily require a legislative appropriation before they may be paid.

Numerous court cases are pending in which the plaintiffs allege that the state has deprived persons of their civil rights or inadequately compensated them for their property. In the aggregate, the monetary damages (actual, punitive, and attorney's fees) claimed in the civil rights cases would exceed the insurance coverage available by a material amount. The state believes it is highly unlikely that there will be actual awards of judgments in material amounts.

The state is a defendant in numerous lawsuits involving claims of inadequate, negligent, or unconstitutional treatment of prisoners and mental patients. In some of these suits, plaintiffs are seeking or have obtained certification as a class for a class action suit. Most of these cases seek actual damages that are not material but include request for punitive damages that may be material. There is also the potential that the courts may rule that the current conditions of confinement are unconstitutional.

The state is defendant in lawsuits by employees accusing the state of various infractions of law or contract. These include claims related to age and sex discrimination, wrongful termination, contractual agreements for paying of salaries based on parity and equity, and overtime compensation under the Federal Fair Labor Standards Act. The state does not believe that any of these cases are material to its financial operations.

Many state agencies enter into various grant and contract agreements with the federal government and other parties. These agreements generally provide for audits of the transactions pertaining to the agreements, with the state being liable to those parties for any disallowed expenditures. The state is contesting the disallowances related to such audits, and the outcome is uncertain at this time. The Department of Human Services and the Department of Health Care Policy and Financing have several such claims filed against them. These claims are at various levels of adjudication or settlement negotiations. At June 30, 1996, these claims were in excess of $19 million.

The Colorado Student Loan Program, in the event of adverse loss experience, could be liable for approximately 22% of the outstanding balance of loans in repayment status. At June 30, 1996, the amount of potential loss to the Student Loan Program was approximately $412 million, however, the probability of a material loss is remote.

The U.S. Environmental Protection Agency has sued the Colorado School of Mines, as well as numerous other parties, under CERCLA. The suit has arisen because of costs associated with the cleanup of hazardous substances at several sites owned by the School. The level of remediation of the sites and the costs associated with the cleanup are unknown at this time, as is the apportionment of the potential liability. The School of Mines has agreed to remediate the Creekside site, and low-level waste products have already been removed and disposed of. The School believes that its final liability will not materially affect its continued operations.

Several corporations have filed administrative income tax refund claims for taxes previously paid because other corporations have sued another state with similar tax statutes. A decision is pending in the U.S. courts regarding the statutes in the other state. At this time Colorado has not been sued and if sued will vigorously defend its position. If the corporations were to prevail in court, which is remote, the state would have to refund an additional $10.5 million of taxes already collected.

The Tivolino Teller House is seeking a refund of gaming taxes paid. Jurisdiction has been accepted by the Colorado Supreme Court. Although the plaintiff is only seeking $42,000 plus interest, an adverse decision will impact the Gaming Fund significantly, as the entire industry will likely seek refunds of taxes paid, plus fewer taxes will be paid in the future. Presently, the decision of the Gaming Commission in ordering the collection and payment of the disputed taxes remains affirmed.

At June 30, 1996, the Lottery Division of the Department of Revenue had outstanding annuities of approximately $628.2 million in the name of lottery or lotto prize winners. The probability that any of the sellers of these annuity contracts will default and that the state will have to pay the annuity itself is remote.

In Fiscal Year 1987-88, the state implemented the Unclaimed Property Program. Property meeting the criteria for dormancy is transferred to the Treasury Department. Since the owner's claim to this property never expires, title to the property does not revert to the state. The state records a liability based on the history of the claims against the program.

Various notes and bonds have been issued by state school districts which may impact the state. Colorado statutes provide that if a district indicates that it will not make the payment to bondholders by the date on which it is due, the state treasurer shall forward the amount necessary to make the payment to the paying agent and shall withhold state equalization payments to the defaulting school district for a period up to 12 months to cover the state's loss. Currently, notes or bonds valued at over $1.9 billion are outstanding. Of this amount, $850 million is covered by private insurance.

The Department of Natural Resources and the Department of Public Health and Environment have been sued by owners of the Summitville mine, who are liable under CERCLA for clean-up costs at the site, claiming that the state was negligent in its over-sight. The trial court granted the state's motion to dismiss with prejudice. Plaintiffs have appealed the decision to the Colorado Court of Appeals. Total cleanup costs under CERCLA will probably exceed $100 million.

The state's Department of Transportation is in the process of remediating its underground fuel storage tanks. It has been estimated by the department that its future costs will be approximately $20 million and that the process will not be completed until the year 2005.

The state's Underground Storage Tank Advisory Committee has rejected the reimbursement for the clean-up of petroleum leaks discovered prior to December 22, 1988. Diamond Shamrock has sued the state for approximately $3 million of such unreimbursed costs. The state received an adverse ruling from the district court and has appealed. Whatever the outcome, the state cannot be held liable for any amount of money over what is available in the Underground Storage Tank Fund.

The State of Kansas has sued the state in the U.S. Supreme Court for alleged violations of the Arkansas River Compact. The case was bifurcated into a liability and a remedy phase. The Supreme Court ruled in favor of Kansas in one of its three claims. The case is now before a special master to decide the appropriate remedy. There has been a quantification of the amount of injury, in water, through 1985, but the amount after 1985 is still in dispute. Colorado and Kansas disagree about whether Kansas should be repaid in money or water. However, the state believes that the liability will not exceed $50 million even though Kansas has not claimed a specific dollar amount.

The United States of America has asserted 96 counts or claims for damages against the Colorado National Guard for filing 119 false reports regarding approximately 115 unauthorized flights between 1981 and 1983. The United States seeks $10 million from the state under the False Claims Act and federal common law. The case is now in discovery and trial could be set for fall of 1997.

The state has been sued in connection with a land transfer from the Department of Natural Resources to the Department of Corrections for expansion of the Rifle Correctional Center. The plaintiffs claim that county zoning and planning review is required, the Department of Natural Resources has not complied with statutory requirements in connection with the transfer, and that a fishing stream protection review by the Wildlife Commission is also required. The state has filed motions to dismiss which are pending.

The state believes it has a good chance of prevailing in these cases, but the ultimate outcome cannot presently be determined. No provision for any liability that may result has been made in the financial statements.

Component Units

In June, 1994, the Office of Inspector General of the U.S. Department of Health and Human Services issued a subpoena to the University of Colorado Hospital Authority and at least 135 other hospitals across the country in connection with an investigation concerning the possible submission of improper or false claims to the Medicare and Medicaid programs. The hospital intends to comply fully with the Inspector General's subpoena and avail itself of all possible defenses under the law. Management is unable to predict the outcome of the investigation, but it does believe the ultimate resolution will not have a material adverse effect upon the financial position or results of operations of the Authority.

NOTE V. PENSION SYSTEM AND OBLIGATIONS

A. PLAN DESCRIPTION

Virtually all State of Colorado employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The state has chosen to early implement GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, since the plan administrator has early implemented GASB Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.

Administration of the Plan

The plan, a cost-sharing multiple employer plan, is administered by the Public Employees' Retirement Association (PERA). PERA was established by state statute in 1931, and includes the State Division Trust Fund (established in 1931), the School Division and the Municipal Division Trust Funds (both established in 1944), and the Judicial Division Trust Fund (established in 1949). The authority to establish or amend plan benefits is retained by the General Assembly in accordance with Title 24, Article 51 of the Colorado Revised Statutes (CRS).

The state plan, as well as the other divisions' plans, are included in PERA's financial statements which may be obtained by writing PERA at 1300 Logan Street, Denver, Colorado, 80203.

Vesting and Termination

State employees are vested after five years of service for which PERA contributions are made. Employees who terminate before becoming vested are refunded their contributions made to the plan plus interest. Employees terminating after vesting may, if they desire, remain in the plan until eligible for retirement. Those withdrawing from the plan receive their contributions, interest on their contributions, plus an additional 25 percent of their contribution and interest. This terminates their individual accounts. The interest rate paid is set at 80 percent of the PERA actuarial investment assumption rate.

Defined Retirement Benefits

Plan members are eligible for retirement benefits at age 55 with 30 years of service, age 60 with 20 years of service, or at age 65 with 5 years of service. State troopers and Colorado Bureau of Investigation (CBI) officers are eligible for retirement benefits at age 50 with 25 years of service. Monthly benefits are calculated as a percentage of highest average salary (HAS). HAS is one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit.

Service retirement benefits during Fiscal Year 1995-96, were calculated at 2.5 percent of HAS for each year of service through 20 years, and 1.5 percent of HAS for each year over 20 years up to the maximum allowed by federal law.

Reduced service retirement benefits are available at age 55 with 20 years of service, or at age 60 with five years of service credit. The benefit is calculated the same as a service retirement benefit, then reduced by 0.333 percent for each month before the eligible date for the full service retirement. Members are also eligible to receive reduced service retirement benefits at age 50 with 25 years of service with a greater benefit reduction.

Money Purchase Retirement Benefit

A retiring member may elect to withdraw their PERA account and receive an additional matching amount equal to 50 percent of their contribution plus interest, or receive a lifetime benefit based on the amount the member could withdraw. The withdrawal or the lifetime benefit is in lieu of the defined benefit.

Disability and Survivor Benefits

Members disabled, who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may receive retirement benefits if determined to be permanently disabled.

If a member dies before retirement, their eligible children under the age of 18 (23 if a full-time student) are entitled to monthly benefit payments. If there are no eligible children, the member's spouse is paid the monthly benefit, and absent an eligible spouse, the financially dependent parents receive a survivor benefit.

B. FUNDING POLICY

Members and employers are required to contribute to PERA at a rate set by statute. The contribution requirements of plan members and affiliated employers are established under Title 24, Article 51, Part 4 of the CRS as amended. Members are required to contribute 8 percent of their gross salary, except for state troopers and CBI officers, who contribute 11.5 percent. Annual gross covered wages subject to PERA are gross earnings less any reduction in pay to offset employer contributions to the state sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code.

The state contribution rate since July 1, 1993 has been 10.8 percent (12.4 percent for state troopers and CBI officers) of the employee's gross covered wages. The state paid $162.5 million, $158.1 million, and $147.5 million in Fiscal Years 1995-96, 1994-95, and 1993-94, respectively. These amounts were equal to the required contributions for those years.

Net Pension Obligation

The state has determined, in accordance with GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, that it had no pension liability or asset at the time of implementation of that statement.

C. OTHER RETIREMENT PLANS

Primary Government

Some employees of various institutions of higher education may be covered under other retirement plans. Presidents, deans, professors, and instructors in state educational institutions are enrolled in defined benefit plans such as the Teachers Insurance and Annuity Association, the Variable Annuity Insurance Corporation, or other similar plans.

Faculty members at the University of Colorado are also under Social Security. Faculty at Colorado State University were covered exclusively by PERA until May, 1993. Faculty hired after that time are covered by one of several defined contribution plans. Faculty previously covered by PERA had the choice of converting entirely to the defined contribution plan or remaining in PERA for their service till May, 1993, with service after that time credited to the defined contribution plan.

The state made contributions to other pension plans of $22.6 million and $21.0 million during Fiscal Year 1995-96, and Fiscal Year 1994-95, respectively. In addition, the state paid $29.8 million and $27.1 million in FICA or Medicare taxes on employees wages during Fiscal Year 1995-96, and Fiscal Year 1994-95, respectively.

PERA also offers a voluntary 401(k) plan entirely separate from the defined benefit plan. PERA members may make contributions of up to 18 percent of their annual gross salary, to a maximum of $9,240. Contributions and earnings are tax deferred. On December 31, 1995 the plan had accumulated assets of $125.7 million and 10,155 accounts.

Component Units

Employees of the Colorado State Fair Authority, Colorado Uninsurable Health Insurance Plan, and the Colorado Water Resources and Power Development Authority are covered under the State Division of PERA.

The University of Colorado Hospital Authority participates in two retirement plans, which cover substantially all of its employees. The hospital maintained a noncontributory defined benefit pension plan for its employees through March 1995. Under this plan, contributions credited to each covered employee's account were based on a percentage of compensation earned by the employee. Vesting under this plan is based on length of service. Benefits are payable as a lump sum upon retirement or separation or under several annuity options upon retirement. As of March 31, 1995, a final contribution was credited to the accounts of all covered employees of record on that date and this plan was frozen.

As of April 1, 1995, the hospital amended its retirement plan based on its ability to withdraw from the Old Age, Survivors, and Disability Insurance (OASDI) component of the Federal Insurance Contributions Act (FICA) by virtue of its operation under legislatively granted state authority. The hospital and its employees still contribute to and participate in the Medicare component of FICA. The hospital's amended plan is composed of three distinct components: a Basic Pension Plan, an Investment Account, and a Matching Account.

The Basic Pension Plan is a defined benefit plan with benefits payable based on length of service and average compensation earned by the employee during the five most highly compensated calendar years of service after 1994. Vesting under this component is based on length of service. The hospital's funding policy is to contribute amounts at least equal to the minimum funding requirements of ERISA.

The hospital made contributions of $6,100,000 and $3,791,000 to its defined benefit plans in 1996 and 1995, respectively. Annual cost is determined using the projected unit credit actuarial method. Plan assets at fair value were $36,485,000 and $26,225,000 a June 30, 1996 and 1995, respectively. The projected benefit obligation was $38,395,000 and $33,760,000 at June 30, 1996 and 1995, respectively.

The Investment Account is a qualified defined contribution retirement plan under the provisions of Internal Revenue Code (IRC) Section 401(a). Employees are required to contribute 6.2% of their gross compensation, which is equivalent to what their OASDI contributions were under FICA participation. Employees are always fully vested in this component of the plan. Total compensation covered in this plan for the year ended June 30, 1996 was approximately $78.0 million. The hospital is required by law to provide an additional make-up contribution for certain part-time employees equal to 1.3% of their compensation until they are fully vested in the Basic Pension Plan.

The Matching Account is a qualified tax-deferred annuity plan under the provisions of IRC Section 403(b). Employees are eligible to contribute a percentage of their gross compensation, tax-deferred up to legal limitations established under the IRC. In addition, the Hospital matches employee contributions 100% on the first 3% of gross compensation contributed. Employees are always vested 100% in their contributions; however, the Hospital's matching contributions are subject to a five year vesting schedule. The hospital's matching contributions for Fiscal Year 1996 were $1.8 million.

The hospital has made contributions to PERA in accordance with actuarially determined funding amounts for their employees who are still state employees.

D. EMPLOYEE DEFERRED COMPENSATION

Primary Government

The state initiated a deferred compensation (457) plan for state employees in 1981. This plan has a third party administrator, and all costs of administration and funding are borne by the plan participants. Investments and accumulated earnings of the plan at June 30, 1996, and June 30, 1995, totaled $210.2 million and $183.1 million respectively.

Assets in the plan remain the property of the state until paid or made available to the participants, subject only to the claims of the state's general creditors. The state has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The state never has, nor does it believe that it will have to use the assets to satisfy any claims of its general creditors.

Component Units

The Colorado State Fair Authority provides a 457 Retirement Plan for its employees who are employed 30 days or less in a calendar year. The contribution is entirely from the employees wages.

E. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Health Care Program

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. During 1995, the subsidy was $115.00 for those with 20 years of service credit and reduced by $5.75 for each year under 20.

The Health Care Fund is maintained by a contribution of 0.8 percent of covered salary. During calendar year 1995, the state paid $11.3 million into this Fund.

Monthly premium costs for participants depend on the health care plan selected, the number of persons being covered, Medicare eligibility, and the number of years of service credit a retiree has. PERA contracts with a major medical indemnity carrier to administer claims for self-insured plans, and with health maintenance organizations providing services within Colorado. During 1995 there were 27,383 participants, including spouses and dependents, from all contributors to the plan.

Life Insurance Program

PERA provides its members access to two group life insurance plans offered by Prudential and Rocky Mountain Life. Members may join one or both plans, and they may continue coverage into retirement. Premiums are paid monthly by payroll deduction.

Other Programs

Separate post-retirement health care and life insurance benefit plans exist in some state colleges and universities but are small in comparison to the PERA plan for state employees. The state has no liability for any of these post-retirement health care and life insurance plans.

NOTE VI. SUBSEQUENT EVENTS

A. NOTE ISSUANCE

On July 1, 1996 the state treasurer issued $400 million of Tax Revenue Anticipation Notes. The notes are to be repaid in June 1997.

On July 2, 1996, the Colorado State Board of Agriculture issued $17,380,000 of the Colorado State University Facilities Enterprise Refunding and Improvement Revenue Bonds, Series 1996. The bonds were issued for campus projects and to defray the costs of refunding $12,195,000 in outstanding 1986 bonds. After the escrow for the 1986 bonds is funded and all issuance costs are paid, approximately $5,950,000 will remain to fund the addition and remodeling projects on the Colorado State University campus in Fort Collins.

On October 23, 1996, the Colorado Department of Personnel issued $13,940,000 of Certificates of Participation. The proceeds will be used to acquire an office building and 15.3 acres of land in Lakewood, Colorado for the headquarters of the transportation and enforcement sections of the Department of Revenue.

B. BUSINESS PURCHASE

Component Units

The University of Colorado Hospital Authority entered into certain provider and network management agreements with the TriWest Healthcare Alliance Corporation. TriWest was formed to deliver health care services to eligible beneficiaries of the Civilian Health and Medical Program of the Uniform Services. On June 27, 1996, TriWest was awarded a contract by the U.S. Department of Defense for a five year period. As part of the agreements and subsequent to year-end, the hospital purchased a minority interest in TriWest for approximately $3.3 million and agreed to secure a letter of credit for $4.6 million to cover the hospital's share of any potential losses of TriWest. The hospital is currently negotiating with University Physicians, Inc. to assume 30 percent participation in the hospital's agreements and contracts with TriWest.